

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AF-06 ARA-06 EA-06 NEA-09 RSC-01

IO-10 AGR-05 AID-05 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04

SIL-01 OMB-01 NSC-05 SS-15 STR-01 CEA-01 L-02 H-01

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P 231802Z JAN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 7540

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E.O. 11652: N/A

TAGS: OCON, ETRD, UK

SUBJ: COFFEE: MEETINGS OF SUB-GROUPS ON SUPPLY/DEMAND
AND PRICES

1. SUMMARY: FIRST MEETINGS OF ICO SUB-GROUPS ON
SUPPLY/DEMAND AND PRICES HELD JANUARY 21 AND 22.
EXECUTIVE DIRECTOR NAMED CHAIRMAN OF BOTH. LENGTHY
SESSIONS PROVIDED LOTS OF RHETORIC AND LITTLE SUBSTAN-
TIVE PROGRESS. END SUMMARY.

2. FIRST MEETING OF ICO SUB-GROUP ON SUPPLY/DEMAND
HELD MORNING OF JANUARY 21. EXECUTIVE DIRECTOR
NOMINATED CHAIRMAN OF SUB-GROUP BY BRAZIL. IN
ACCEPTING, EXECUTIVE DIRECTOR MADE THE POINT THAT THE
OFFICE AND NOT THE PERSON HAD THE LOB AND THAT THE
DEPUTY EXECUTIVE DIRECTOR WOULD FILL IN AS REQUIRED.
EXECUTIVE DIRECTOR INTRODUCED AT GREAT LENGTH DRAFT
AGENDA (WP NO. 25) PREPARED BY SECRETARIAT WHICH
ADOPTED AFTER ASSURANCES GIVEN IT IS INTENDED ONLY
AS FLEXIBLE GUIDE TO DISCUSSIONS AND DID NOT RULE OUT
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ADDITIONAL TOPICS AT REQUEST OF MEMBERS.

3. FIRST SUBJECT CONSIDERED WAS ESTIMATES OF COFFEE SUPPLY AND DEMAND FROM 1974/75 TO 1980/81. SECRETARIAT PAPER WP NO. 23 (JANUARY 20) SERVED AS BASIS FOR DISCUSSION WHICH LED OFF BY GUATEMALAN REP (MONTES) WHO PROTESTED PROJECTIONS OF GUATEMALAN PRODUCTION WERE FAR TOO LOW. CHAIRMAN RESPONDED OTHER PRODUCERS PROBABLY FELT SAME WAY, BUT PAPER WAS STAFF'S BEST ESTIMATE, AND AS HE HAD POINTED OUT EARLIER, DIFFERENT ASSUMPTIONS WOULD PRODUCE DIFFERENT RESULTS. IN ANY EVENT, THE STAFF PROJECTIONS WERE NOT INTENDED TO SERVE AS A BASIS FOR QUOTA ALLOCATION BUT ONLY FOR DISCUSSION OF OVERALL SUPPLY/DEMAND OUTLOOK.

4. BELGIAN REP NOTED EXPORTABLE PRODUCTION ESTIMATE OF 74.2 MILLION BAGS BY 1980/81 WAS IN CONSIDERABLE EXCESS OF PROJECTED WORLD DISAPPEARANCE IN IMPORTING COUNTRIES OF 66-67.2 MILLION BAGS. HE CALCULATED A CUMULATIVE SURPLUS OF 24-29 MILLION BAGS BY 1981 IF ESTIMATES WERE CORRECT. HOWEVER, HE CONCEDED PROJECTIONS COULD EASILY BE WRONG AND CONCLUDED GROUP SHOULD SEEK METHODS FOR DEALING WITH BOTH OVER AND UNDER SUPPLY.

5. PORTUGUESE REP (MEDINA) SAID PROJECTIONS ARE BEST DATA AVAILABLE AND IT APPEARS WE FACED WITH SLIGHT SURPLUS. ACCORDINGLY, HE SUGGESTED FREEZING A SUBSTANTIAL PORTION OF PRESENT STOCKS PLUS AN ADDITIONAL 20 PERCENT OF ESTIMATED PRODUCTION WHICH COULD BE RELEASED AS THE MARKET PRICE WARRANTED.

6. FRG REP (RORIG) QUESTIONED PROJECTED GROWTH RATE OF 4 PERCENT PER YEAR TO GERMAN CONSUMPTION. HE SAID EXCEPTIONAL GROWTH OF PAST SEVERAL YEARS DUE TO SPECIAL

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CIRCUMSTANCES (REVALUATIONS) AND CANNOT BE SUSTAINED. HE THOUGHT A 2 PERCENT PER YEAR GROWTH WOULD BE MORE REALISTIC. HE SUGGESTED PROBLEM OF SURPLUS IN 1981 MAY BE WORSE THEN PRESENTLY ANTICIPATED.

7. SUB-GROUP ON PRICES MET AFTERNOON JANUARY 21 AND EXECUTIVE DIRECTOR ASSUMED CHAIR. HE INTRODUCED AND EXPLAINED A SERIES STAFF DOCUMENT CONTAINING HISTORICAL DATA ON PRICES TO RETAIL CONSUMERS, PRICES RECEIVED BY PRODUCERS IN EXPORTING COUNTRIES, ETC. HE THEN INTRODUCED A TENTATIVE, 10-POINT AGENDA PREPARED BY THE STAFF WHICH TOUCHED OFF A THREE TEDIOUS HOURS OF RHETORIC FROM PRODUCERS WITH ONLY THE FRG AND BELGIUM INTERVENING ON THE CONSUMER SIDE. DISCUSSIONS FINALLY TERMINATED WHEN CANADA PROPOSED A REORDERING OF THE AGENDA ITEMS. THE CHAIRMAN ACCURATELY SUMMED UP THE MEETING AS "A STEP BACKWARD" AND CALLED FOR MORE OBJECTIVE DISCUSSIONS THE FOLLOWING DAY.

8. SUB-GROUP ON PRICES ASSUMED WORK MORNING OF JANUARY 22 TO CONSIDER AGENDA ITEM ON THE DESIRABILITY AND LIMITED OFFICIAL USE

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METHODS OF PRICE MECHANISMS. DISCUSSION CENTERED ON QUESTIONS OF WHETHER AGREEMENT SHOULD INCLUDE SPECIFIC PRICE RANGES AND MEANS OF DEFENDING PRICE OBJECTIVES. OAMCAF, BRAZIL AND TO LESSER EXTENT GUATEMALA AND PORTUGAL SUPPORTED INCLUSION OF SPECIFIC PRICE PROVISIONS. CONSENSUS CONSUMER DELEGATIONS, INCLUDING FRANCE, NETHERLANDS, US, CANADA, AND UK EXPRESSED STRONG PREFERENCES FOR MORE FLEXIBLE APPROACH OF INCLUDING ONLY GENERAL PRICE OBJECTIVES IN AGREEMENT WHILE DETERMINING SPECIFIC PRICE TARGETS ANNUALLY. DISCUSSION WAS SIDETRACKED ON SEVERAL OCCASIONS INTO CONSIDERATION OF THE COCOA AGREEMENT AND THE 1968 SUGAR AGREEMENT.

A CONSENSUS EVENTUALLY EMERGED THAT WHETHER OR NOT
SPECIFIC PRICES WERE WRITTEN INTO THE AGREEMENT SOME FOR
OF MECHANISM WOULD BE NEEDED TO DEFEND PRICE OBJECTIVES.

9. CONSUMER CAUCUS WAS HELD AFTERNOON OF JANUARY 22.

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